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FOR CARTER FROM PA

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SUBJECT:PRESS MATERIAL

1. HEREWITH FULL TEXT GRAHAM HOVEY ARTICLE FRONT PAGE
NEW YORK TIMES THURSDAY AUGUST 11 HEADED ,US AND PANAMA
REACH ACCORD TO TRANSFER CANAL BY YEAR 2000; 'NEW RELA-
TIONSHIP' IS FORESEEN."

2. PANAMA, AUGUST 10--THE UNITED STATES AND PANAMA
ANNOUNCED TODAY THAT THEY HAD REACHED "AGREEMENT IN
PRINCIPLE; ON "THE BASIC ELEMENTS'OF A NEW TREATY THAT
WILL CALL FOR TRANSFER OF THE PANAMA CANAL AND THE CANAL
ZONE TO PANAMANIAN CONTROL BY THE YEAR 2000.

3. AFTER THREE DAYS OF ALMOST NONSTOP DISCUSSIONS, THE
CHIEF NEGOTIATORS FOR BOTH GOVERNMENTS CAME TO A CROWDED
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NEWS CONFERENCE IN PANAMA CITY'S HOLIDAY INN SHORTLY
BEFORE 6:30 P.M. (7:30 P.M., NEW YORK TIME) AND ANNOUNCED
AN ACCORD THAT THEY SAID WOULD ESTABLISH "A NEW RELA-
TIONSHIP BETWEEN OUR COUNTRIES.

4. ELLSWORTH BUNKER, THE 83-YEAR OLD VETERAN OF MANY
DIPLOMATIC NEGOTIATIONS OVER THREE DECADES, SPOKE FOR

HIMSELF AND HIS CO-NEGOTIATOR, SOL M. LINOWITZ, WHO SAT
BESIDE HIM.

5. MR. BUNKER SAID "LEGAL SPECIALISTS" WOULD CONTINUE WORKING TO TRANSLATE THE BASIC ELEMENTS INTO 'FORMAL TREATIES.' HE SAID THE UNITED STATES NEGOTIATORS WOULD FLY BACK TO WASHINGTON TOMORROW AND REPORT IMMEDIATELY TO PRESIDENT CARTER AT THE WHITE HOUSE.

6. AS THOUGH ANTICIPATING A HARD FIGHT AHEAD TO GAIN SENATE RATIFICATION OF THE NEW PACT, MR. BUNKER SAID: "WE ARE CONFIDENT THAT THIS TREATY WILL NOT ONLY PROTECT BUT STRENGTHEN OUR NATIONAL SECURITY INTERESTS.

7. "IT WILL ALSO BE A STRONGLY POSITIVE ELEMENT IN OUR OVER-ALL RELATIONSHIP WITH OUR LATIN AMERICAN NEIGHBORS, AND PRESERVE OUR VITAL COMMON INTEREST IN AN OPEN SECURE AND EFFICIENT CANAL."

8. DR. ROMULO ESCOBAR BETHANCOURT, HEAD OF THE PANAMANIAN NEGOTIATING TEAM AND A CLOSE ASSOCIATE OF BRIG. GEN. OMAR TORRIJOS HERRERA, THE PANAMANIAN CHIEF OF GOVERNMENT, SPOKE FOR HIS DELEGATION. HE WAS ACCOMPANIED BY DR. ARISTIDES ROYO, PANAMA'S MINISTER OF EDUCATION AND HIS CO-NEGOTIATOR.
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9. THE TWO NEGOTIATING TEAMS AND THEIR STAFFS HAD WORKED ALMOST NONSTOP FOR THREE DAYS ON TWO FLOORS OF PANAMA CITY'S HOLIDAY INN TO MELD THEIR TREATY DRAFTS INTO AN ACCEPTABLE COMPROMISE AND MEET THE DEADLINE THEY HAD SET FOR THE BASIC AGREEMENT.

10. ACTUALLY, PANAMA DID NOT SUBMIT A DRAFT UNTIL THE SECOND OF TWO LONG SESSIONS ON MONDAY, BUT THE DOCUMENT DEALT MOSTLY WITH PROPOSALS FOR MINOR CHANGES IN LANGUAGE AND NUANCE AND THUS WAS NOT A MAJOR OBSTACLE TO CONCLUDING THE NEGOTIATIONS.

11. PANAMANIAN OFFICIALS SAID SOME OF THE TIME-CONSUMING SNAGS OF THE FINAL DAYS WERE CAUSED BY DIFFERENCES OVER CLAUSES DEALING WITH WORKING CONDITIONS FOR PANAMANIANS IN THE CANAL ZONE DURING THE PROJECTED 23-YEAR LIFE OF THE TREATY AND BY THE "LANDS AND WATERS" ISSUE.

12. THIS HAS TO DO WITH THE TIMETABLE UNDER WHICH THE UNITED STATES WILL TURN OVER SECTORS OF THE 533-SQUARE

MILE CANAL ZONE TO PANAMA AS THESE BECOME LESS ESSENTIAL FOR THE OPERATION AND DEFENSE OF THE CANAL.

13. ONCE THE TREATY GOES INTO EFFECT, THE UNITED STATES HAS AGREED TO SCALE DOWN RAPIDLY ITS MILITARY PRESENCE IN THE CANAL ZONE, REDUCING THE PRESENT 14 INSTALLATIONS TO THREE AND OPERATING THESE JOINTLY WITH THE PANAMANIAN NATIONAL GUARD UNTIL THE ZONE IS TURNED OVER ENTIRELY TO PANAMANIAN CONTROL BY DEC. 31, 1999.

14. THE AMERICAN NEGOTIATORS THOUGHT THIS ISSUE HAD BEEN SETTLED WEEKS AGO, BUT THE PANAMANIANS REVIVED IT IN THE CLOSING DAYS, PRESSING FOR A MORE RAPID TURNOVER OF CANAL ZONE TERRITORIES.

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15. HOWEVER, THE REAL BREAKTHROUGH IN NEGOTIATIONS THAT HAD BEEN RESUMED BY THE CARTER ADMINISTRATION IN FEBRUARY CAME AT THE MAY MEETINGS IN WASHINGTON, WHEN PANAMA FINALLY ACCEPTED AN INDEFINITE ROLE FOR THE UNITED STATES IN DEFENDING THE CANAL AFTER THE EXPIRATION OF THE NEW TREATY.

16. THIS PROVISION WILL NOT BE PART OF THE TREATY ITSELF BUT WILL BE CONTAINED IN A SEPARATE PROTOCOL THAT WILL BE DEPOSITED WITH THE ORGANIZATION OF AMERICAN STATES AND OPEN TO SIGNATURE BY OTHER GOVERNMENTS.

17. IT HAS BEEN WRITTEN AS SIMPLY AN AGREEMENT TO MAINTAIN THE "NEUTRALITY" OF THE CANAL AND ITS ACCESSIBILITY FOR SHIPS OF ALL NATIONS. THE LANGUAGE WILL BE DESIGNED TO REASSURE BOTH THE PANAMANIANS, WHO FEAR AMERICAN INTERVENTION IN THEIR AFFAIRS AND RESENT ANYTHING THAT REMINDS THEM OF THE "PERPETUITY" CLAUSE IN THE 1903 TREATY, AND AMERICANS WHO FEAR THE UNITED STATES MIGHT FIND ITSELF UNABLE TO DEFEND THE WATERWAY IN SOME FUTURE CRISIS.

18. THE SEPARATE PROTOCOL WAS A "MUST" FOR THE AMERICAN NEGOTIATORS. THEY TOLD THE PANAMANIANS THAT IN THE ABSENCE OF SUCH A PROVISION THE NEW TREATY WOULD HAVE NO CHANCE FOR APPROVAL BY THE NECESSARY TWO-THIRDS OF THE SENATE.

19. AFTER IT WAS AGREED TO, THE MAJOR REMAINING HURDLE WAS ECONOMIC--THE AMOUNT TO BE PAID TO PANAMA ANNUALLY BY THE UNITED STATES FOR THE USE OF THE CANAL FOR THE DURATION OF THE TREATY.

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20. PANAMA BEGAN BY ASKING FOR A PACKAGE THAT WOULD HAVE ADDED UP TO \$8 BILLION OVER THE LIFE OF THE TREATY, BUT SETTLED LAST WEEK FOR ABOUT \$50 MILLION A YEAR. THE

AMERICAN NEGOTIATORS AGREED TO RECOMMEND A LARGE-SCALE PROGRAM OF ECONOMIC AID FOR PANAMA IN LIEU OF A HUGE "DOWN PAYMENT" THAT PANAMA HAD ORIGINALLY DEMANDED.

21. ONCE THE ECONOMIC ISSUE HAD BEEN SETTLED IN PRINCIPLE, BOTH TEAMS FOUND IT DIFFICULT TO CONCEAL THEIR EXPECTATIONS OF A RAPID CONCLUSION OF THE NEGOTIATIONS.

22. THE CHIEF NEGOTIATORS FOR THE UNITED STATES, ELLSWORTH BUNKER AND SOL M. LINOWITZ, ARRIVED IN PANAMA CITY BY MILITARY AIRCRAFT SUNDAY NIGHT WITH OPTIMISTIC STATEMENTS ABOUT "THE FINAL STEPS OF THE LONG ROAD WE HAVE BEEN TRAVELING" AND THE PROSPECT OF "A CLIMATIC MOMENT IN HISTORY."

23. FOR THE TALL, COURTLY MR. BUNKER, 83 YEARS OLD, THE AGREEMENT FURNISHED A FITTING CLIMAX FOR A REMARKABLE CAREER OF PUBLIC SERVICE, BEGUN 30 YEARS AGO AFTER AN EARLIER CAREER AS A SUGAR MERCHANT. HE WAS APPOINTED AMBASSADOR AT LARGE FOR THE PANAMA NEGOTIATIONS NEARLY FOUR YEARS AGO.

24. FOR MR. LINOWITZ, A 63-YEAR OLD WASHINGTON LAWYER AND BUSINESSMAN, THE AGREEMENT CAME EXACTLY AT THE RIGHT TIME--ON THE DAY HIS SIX-MONTH APPOINTMENT AS CO-NEGOTIATOR WITH THE RANK OF AMBASSADOR EXPIRED. HE WILL CONTINUE AS A SENIOR ADVISER TO THE NEGOTIATING TEAM AND IS EXPECTED TO PLAY AN IMPORTANT ROLE IN THE ADMINISTRATION'S FIGHT TO GET THE NEW TREATY APPROVED BY THE SENATE.

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25. TODAY'S ANNOUNCEMENT SIGNALLED THE CONCLUSION OF NEGOTIATIONS BEGUN IN 1964 AFTER RIOTS BY PANAMANIAN STUDENTS IN THE CANAL ZONE HAD BROUGHT DEATH TO 20 PANAMANIANS AND FOUR AMERICAN SOLDIERS.

26. PRESIDENT LYNDON B. JOHNSON AND PRESIDENT MARCO AURELIO ROBLES OF PANAMA DECIDED AFTER THAT INCIDENT TO

OPEN NEGOTIATIONS OVER A NEW TREATY GOVERNING THE EXISTING LOCKS CANAL AND A SECOND PACT GOVERNING A POSSIBLE NEW SEA-LEVEL CANAL ACROSS THE ISTHMUS.

27. THE FIRST PHASE OF THOSE NEGOTIATIONS RESULTED IN AGREEMENT IN 1967 ON THREE DRAFT TREATIES CONCERNING THE TWO CANALS. BUT THE TREATIES WERE ATTACKED SAVAGELY FROM MANY SIDES DURING PANAMA'S 1968 PRESIDENTIAL ELECTION AND WERE NEVER SUBMITTED FOR RATIFICATION BY EITHER GOVERNMENT. THEY WERE REPUDIATED IN 1970 BY GENERAL TORRIJOS, WHO HAD TAKEN POWER BY MILITARY COUP IN 1968.

28. NEW NEGOTIATIONS BEGAN IN 1971, BUT THEY MADE LITTLE PROGRESS UNTIL SECRETARY OF STATE HENRY A. KISSINGER AND FOREIGN MINISTER JUAN ANTONIO TACK OF PANAMA REACHED AGREEMENT IN FEBRUARY 1974 ON EIGHT PRINCIPLES ON WHICH THE DISCUSSIONS WOULD BE BASED.

29. THESE PRINCIPLES INCLUDED ELIMINATION OF THE CONCEPT OF "PERPETUITY," THE CARDINAL POINT OF THE 1903 TREATY UNDER WHICH THE UNITED STATES TOOK CONTROL OF THE CANAL ZONE AND BUILT THE CANAL. THEY PROVIDED THAT THE ZONE AND THE OPERATION OF THE CANAL WOULD BE TURNED OVER COMPLETELY TO PANAMA AT THE EXPIRATION OF A NEW TREATY.

30. IT WAS UNDER THIS AGREEMENT THAT MR. BUNKER BEGAN
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NEGOTIATIONS WITH PANAMA IN 1974--THE NEGOTIATIONS SUCCESSFULLY CONCLUDED TODAY. CHRISTOPHER

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